RECORD AND BRIEFS

No. 16-712

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IN THE

Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR 72 PROFESSORS OF INTELLECTUAL PROPERTY LAW AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI*

Amici are professors and researchers of intellectual property law at universities throughout the United States. We have no personal interest in the outcome of this case, but a professional interest in seeing patent law develop in a way that encourages innovation and creativity as efficiently as possible.

SUMMARY OF ARGUMENT

Petitioner argues that only a court – indeed, only a jury – has the power to decide that the United States Patent and Trademark Office erred in granting a patent. That argument flies in the face of the history of patent law and this Court's precedents.

Patents are a creature of statute: as early as 1834, this Court specifically recognized that there is no "natural" or common law right to a patent. Rather, under its Article I power to establish a patent system, Congress is charged with determining the contours of the patent grant. Congressional power to establish the terms and conditions of the patent grant includes the power to establish a system for administrative correction of erroneously granted patents.

PTAB error correction is also narrow in scope, targeted towards bad patents that district court litigation

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1. No person other than the *amici* and their counsel participated in the writing of this brief or made a financial contribution to the brief. Letters signifying the parties' consent to the filing of this brief are on file with the Court.

would not address, and only a modest extension of prior administrative correction proceedings. Moreover, even this narrow scope is subject to significant appellate court control. PTAB review thus addresses the social cost of erroneous patent grants without threatening Article III values.

The Seventh Amendment does not compel a different conclusion. While patent infringement cases were tried to juries at common law, both the government and judges retained the power to revoke patents in England and in the early United States. When patent validity questions were considered in American courts throughout history, they were frequently considered by judges, not juries. And court consideration of patent validity issues coexisted with actions by the legislative and executive branches to revoke patents, actions which of course did not require a jury. While this Court need not reach the Seventh Amendment issue in order to dispose of petitioner's claims, should it reach that issue it should make clear that the Seventh Amendment does not create a right to jury trial on patent validity.

ARGUMENT

I. Under this Court's Article III Precedent, Congress Can Permit an Administrative Agency to Correct Errors in Patent Rights that It Granted.

Despite "some debate" about the full scope of permissible non-Article III adjudication, the Court has confirmed that Congress may assign adjudication to expert administrative agencies in "cases in which the claim at issue derives from a federal regulatory scheme, or in which

resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency's authority." *Stern v. Marshall*, 564 U.S. 462, 490 (2011). When "the right [at issue] is integrally related to particular federal government action," no constitutional barrier exists to administrative adjudication. *Id.* at 490-491.

Inter partes review is a quintessential example of constitutionally-permissible administrative adjudication. Patent rights are created by federal statute with no common law analog. The precise question resolved is whether the United States Patent and Trademark Office erred in implementing Congress's directives by granting a patent that failed the statutory conditions of patentability. The cancellation of invalid patents through *inter partes* review thus is closely intertwined with, and essential to, the Patent Office's primary administrative function of patent examination, allowing the Patent Office to correct errors in its prior administrative process.

A. Because Patent Rights Are Federal Statutory Rights, Congress Has Power to Allow Error Correction by the Agency that Granted Those Rights.

American patent rights exist solely because of federal statutes enacted by Congress pursuant to Article I. "Under the common law the inventor had no right to exclude others from making and using his invention." *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 525-526 (1972) (superseded by statute on other grounds); *see also Wheaton v. Peters*, 33 U.S. 591, 661 (1834) (concluding that inventors never had exclusive rights to

inventions at common law "either in this country or in England").

The right to exclude others from using an invention therefore "must be derived from [the] patent grant, and thus from the patent statute." *Deepsouth*, 406 U.S. at 526. As statutory rights created in Congress's discretion, Congress may "select[] the policy which in its judgment best effectuates the constitutional aim" and "set out *conditions* and tests for patentability." *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966) (emphasis added); *see also Deepsouth*, 406 U.S. at 530 (describing Constitution as "permissive" for patent rights).

Post-issuance administrative error correction and patent cancellation are among the conditions that Congress can constitutionally impose on patent rights. Congress has broad power to provide for administrative adjudication when, as here, the right exists solely because of a federal statute "and does not depend on or replace a right . . . under state law."[2] *Stern*, 564 U.S. at 491 (quotation omitted). Congress can permit Patent Office error correction "before [a] particularized tribunal[] created to perform the specialized adjudicative tasks related to that right" as an "incidental extension[] of Congress' power to define rights that it has created." *Northern Pipeline*

2. Patent rights are comparable to trademark registration, which is strictly statutory, and distinctly different from "the right to adopt and exclusively use a trademark," which was a pre-existing common law right. *See B&B Hardware, Inc. v. Hargis Indus.*, Inc., 135 S. Ct. 1293, 1317 (2015) (Thomas, J., dissenting) (concluding that "no one disputes that the TTAB may constitutionally adjudicate a registration claim" because it is a "quasi-private right").

Construction Co. v. Marathon Pipe Line Co., 458 U.S. 50, 83-84 (1982) (plurality); *see also United States v. Duell*, 172 U.S. 576, 583 (1899) ("Congress may provide such instrumentalities in respect of securing to inventors the exclusive right to their discoveries as in its judgment will be best calculated to effect that object.").

The Patent Act expressly defines the rights granted by a patent as being "[s]ubject to the provisions of this title." 35 U.S.C. § 261. For over thirty-five years,[3] "the provisions of this title" have included Patent Office "authority to reexamine — and perhaps cancel — a patent claim that it had previously allowed." *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). Patents granted after July 1, 1981 were issued subject to cancellation in ex parte reexamination, and those granted between November 29, 1999 and September 16, 2012 were issued additionally subject to *inter partes* reexamination. *Id.* Congress "modifie[d]" reexamination by instituting *inter partes* review on September 16, 2012, as the latest iteration of its decades-long scheme for post-issuance Patent Office error correction. *Id.*

As discussed in Part II, *inter partes* review is significantly more streamlined than reexamination, which helps to explain why *inter partes* review has been more widely used to revoke invalid patents than prior procedures. Despite these differences, *inter partes*

3. Even earlier, under the Patent Act of 1952, the Board of Patent Appeals and Interferences' decision in an interference "constitute[d] cancellation of the claims involved from the patent," albeit only if the Patent Office erred by granting a patent to subject matter that was first invented by another patent applicant. Patent Act of 1952 § 135, P.L. 593, 66 Stat. 792, 802 (July 19, 1952).

review imposes the same condition on the rights granted by a patent that Congress has imposed on every patent issued in the past thirty-five years: the possibility of post-issuance administrative error review and patent cancellation. "Although Congress changed the name from 'reexamination' to 'review,' nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision." *Id.* at 2144.

Thus, the rights provided by virtually every patent still in effect are subject to post-issuance Patent Office review and cancellation. For that reason, arguments that *inter partes* review impermissibly extinguishes "property rights" through an administrative forum miss the point. It is "the federal patent scheme [that] creates a limited opportunity to obtain a property right in an idea." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 149 (1989). "[T]he Patent Act itself indicates that patents shall have the attributes of personal property '[s]ubject to the provisions of this title.'" *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392 (2006) (quoting 35 U.S.C. § 261). The possibility of Patent Office error correction and cancellation is therefore part and parcel with the right created by the patent grant, at least for patents granted in the past 35 years.

Even traditional property rights are eligible for non-Article III adjudication. Aspects of bankruptcy that are indisputably subject to non-Article III adjudication involve property rights. *See, e.g., Wellness Int'l Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1952-54 (2015) (Roberts, C.J., dissenting). The Court likewise characterized its opinion in *Block v. Hirsh*, 256 U.S. 135 (1921), which

involved administrative adjudication of landlords' right to possession and rental amounts from holdover tenants, as involving rights capable of non-Article III adjudication. *See Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 588-589 (1985). And this is particularly true of legal interests, like patent rights, that exist solely because they were created by administrative agencies in the course of implementing a statutory mandate. Thus, even if this Court were to find that *inter partes* review is qualitatively different from prior procedures in a way that changed the nature of the rights granted, such a finding would not implicate Article III.

B. PTAB Error Correction Is Integrally Related to the Patent Office's Primary Administrative Role of Examining and Granting Valid Patents.

The Patent Office's primary administrative role is to protect the public interest served by the patent grant. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917); *see also Blonder-Tongue Labs., Inc. v. Univ. of Ill. Foundation*, 402 U.S. 313, 343 (1971) ("A patent by its very nature is affected with a public interest." (quotation omitted)). Specifically, "this court has consistently held that the primary purpose of our patent law is not the creation of private fortunes for the owners of patents but is 'to promote the progress of science and the useful arts.'" *Motion Picture Patents*, 243 U.S. at 511 (quoting U.S. Const., Art. I, § 8).

The patent statutes enacted by Congress, and the patent rights they create, reflect the need to strike a "careful balance" between the benefits from incentivizing innovation and the costs imposed by exclusive rights

that can stifle both competition and further innovation. *Bonito Boats*, 489 U.S. at 146; *see also Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 2406-07 (2015). In particular, the patentability requirements of novelty and non-obviousness (the potential grounds for *inter partes* review) reflect Congress's judgment that exclusive rights in information that is already publicly available or can be easily determined from publicly available information "would not only serve no socially useful purpose, but would in fact injure the public by removing existing knowledge from public use." *Bonito Boats*, 489 U.S. at 148, 150.

It is "as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly." *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892). The Court's conclusion in *Lear, Inc. v. Adkins* that state law could not bar a licensee from challenging the validity of the licensed patent reflected an affirmative policy judgment that invalidating weak patents served "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." 395 U.S. 653, 670-671 (1969); *see also Blonder-Tongue*, 402 U.S. at 344 (noting that this Court's decisions have long "encourage[d] authoritative testing of patent validity").

The Patent Office has primary responsibility for insuring only warranted patents issue. "Congress has charged the United States Patent and Trademark Office (PTO) with the task of examining patent applications," and granting patents only if the patent applications satisfy "the prerequisites for issuance of a patent" set forth by Congress to balance the needs of innovation with the needs

of public accessibility and competition. *See Microsoft Corp. v. i4i Ltd. Partnership*, 564 U.S. 91, 95-96 (2011). The Patent Office "has special expertise in evaluating patent applications" for compliance with these patentability requirements. *Kappos v. Hyatt*, 566 U.S. 431, 445 (2012).

An invalidity challenge – whether in litigation or in *inter partes* review – is an "attempt to prove that the patent never should have issued in the first place" and therefore is integrally related to the expert Patent Office's primary examination function. *See Microsoft*, 564 U.S. at 96. In fact, the litigation presumption of validity exists to reflect deference to the expert Patent Office's considered judgment, *not* to protect the patentee or because patents are property rights. *See id.* at 97, 110-112.

Just two terms ago, in *Cuozzo*, the unanimous Court indicated that *inter partes* review is integrally related to particular federal government action – to allow non-Article III adjudication under *Stern* – because its very purpose is "to reexamine an earlier agency decision." 136 S. Ct. at 2144. The Court refused to characterize *inter partes* review as a surrogate for district court litigation because it has characteristics of a "specialized agency proceeding" that "offer[s] a second look at an earlier administrative grant of a patent." *Id.* at 2143-44. By doing so, *inter partes* review provides an essential tool for the Patent Office's primary administrative objective of "protect[ing] the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope." *Id.* at 2144 (quotations and alterations omitted).

In sum, *inter partes* review allows the Patent Office to correct errors arising from its primary statutory duty

of examining patent applications for compliance with the patentability requirements to determine whether exclusive rights should be granted – rights that exist solely by Congressional statute with no roots in the common law. *Inter partes* review is a prototypical example of permissible administrative adjudication under this Court's Article III precedent.

C. Congress's Discretion to Assign Patent Error Correction to the Patent Office Is Not Limited by the Fora for Patent Cancellation in 1789.

Oil States, and several amici, ask this Court to create a new Article III test that would limit Congress's power to provide for adjudication of federal statutory patent rights to the historical fora for patent cancellation available in 1789. This argument misunderstands both this Court's Article III precedent and the historical practice regarding patent cancellation.

1. A historical practice of non-judicial adjudication at the time of the Constitution can support non-Article III adjudication today. *Wellness*, 135 S. Ct. at 1951 (Roberts, C.J., dissenting). But this Court's precedent does not support a categorical requirement that all issues resolved in courts in 1789 must be resolved in Article III courts today. *See Granfinanciera S.A. v Nordberg*, 492 U.S. 33, 42 (1989) (instructing that whether non-Article III adjudication is permissible should be decided *after* determining whether the claim would have been decided in law courts in 1789); *see also Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 282 (1855) (describing as "an unwarrantable assumption" the conclusion that Article III adjudication was required

because the issues were "settled in what was denominated the court of exchequer" in England).

This Court has expressed skepticism about Congressional efforts to withdraw from Article III courts "any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty" or "is made of the stuff of the traditional actions at common law tried by the courts at Westminster in 1789." *Stern*, 564 U.S. at 484 (quotations omitted); *see also*, e.g., *Wellness*, 135 S. Ct. at 1938. But the Court's concern has been the *source* of the right, not the *forum* of adjudication, at the time of the Constitution. In particular, the Court has been troubled when Congress assigns a traditional common law right to a non-Article III tribunal for adjudication, either directly or by replacing the common law right with a statutory right. *See Stern*, 564 U.S. at 493-494 (state common law claims); *Granfinanciera*, 492 U.S. at 60 (statutory replacement of "a preexisting, common-law cause of action"); *see also Wellness*, 135 S. Ct. at 1951 (Roberts, C.J., dissenting) (rejecting non-Article III adjudication of claims that arose "from independent common law sources"). Because common law rights were created by, not just adjudicated in, courts, adjudication of common law rights is "the most prototypical exercise of judicial power." *Stern*, 564 U.S. at 494.

By contrast, the Court has looked favorably on non-Article III adjudication of federal statutory rights like patent rights that neither existed in the common law nor replaced a common law right. *Stern*, 564 U.S. at 491 ("This Court held that the scheme did not violate Article III, explaining that '[a]ny right to compensation ... results from [the statute] and does not depend on or replace a

right to such compensation under state law.'" (quoting *Thomas*, 473 U.S. at 584)).[4] Unlike common law rights, federal statutory rights exist as an exercise of legislative, not judicial power, and therefore Congress has significant power to define the mode for adjudication of those rights. *Northern Pipeline*, 458 U.S. at 83 n.35 (plurality). This was equally true for the limited statutory rights that existed in the 18th century. *See* John F. Preis, *How the Federal Cause of Action Relates to Rights, Remedies, and Jurisdiction*, 67 FLA. L. REV. 849, 866 (2015) (noting that Parliament in the 18th century sometimes specified means for statutory rights to be enforced). That patent validity may sometimes have been litigated in courts in 1789 was the result of legislative (or royal), not judicial, power. Thus, non-Article III cancellation of issued patents – rights that derive solely from federal statute – may have "incidental" effects on the exercise of judicial power but does not threaten the core judicial power protected by Article III. *Northern Pipeline*, 458 U.S. at 83 (plurality).

2. Even assuming *arguendo* a historical test that ignored this Court's emphasis on whether the right at issue is a federal statutory right, patent cancellation

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4. *See also Murray's Lessee*, 59 U.S. at 284 (non-Article III adjudication permissible when a right "depends upon the will of congress whether a remedy in the courts shall be allowed at all"); *Northern Pipeline*, 458 U.S. at 83 (plurality) (permitting Congress to assign "specialized adjudicative tasks" to "particularized tribunals" for rights it creates); *id.* at 90 (Rehnquist, J., concurring in the judgment) (rejecting non-Article adjudication because there was "no federal rule of decision provided for any of the issues in the lawsuit"); *Wellness*, 135 S. Ct. at 1951 (Roberts, C.J., dissenting) (identifying "Congress's constitutional authority to enact bankruptcy laws" as supporting non-Article III adjudication).

was not so exclusively tied to the courts in 1789 as to require Article III adjudication. Patents in England in the eighteenth century were a royal grant of prerogative from the sovereign. While patents were enforced in common law courts, historically only the Crown (through the Privy Council) could revoke or annul a patent. *See* Sean Bottomley, *Patent Cases in the Court of Chancery, 1714–58*, 35 J. LEG. HIST. 27, 27-28, 34 & n.48 (2014). Indeed, until 1753 the Privy Council was the *only* means by which a patent could be revoked. *See, e.g.*, CHRISTINE MACLEOD, INVENTING THE INDUSTRIAL REVOLUTION: THE ENGLISH PATENT SYSTEM, 1660–1800, at 19 (1988); E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794*, 33 L.Q. REV. 63, 189-191, 193-194 (1917) (concluding that the Privy Council had primary jurisdiction over patent law until 1753 and continued to have concurrent jurisdiction thereafter).

In 1753, the Council granted the courts concurrent jurisdiction with the Council itself to revoke a patent. As discussed further in Part III, in the late 1700s, litigants increasingly employed the writ of *scire facias* rather than turning to the Privy Council. Even so, the Privy Council revoked a patent in 1774 and another one in 1779, a mere ten years before the Constitution, with additional revocation proceedings requested but not acted upon in 1782 and 1794. *Hulme, supra*, 33 L. Q. Rev. at 192-193. The English patent grant remained expressly conditioned on Privy Council revocation well into the 19th century. Oren Bracha, Owning Ideas: A History of Anglo-American Intellectual Property 60-61 & n.129 (June 2005), https://law.utexas.edu/faculty/obracha/dissertation/. The Privy Council considered a revocation claim in 1810, saying

that "[i]f the danger to the Public has been very pressing and imminent, we should have advised a Revocation of the Patent without the delay of a *Scire facias* . . ." *Board of Ordnance v. Parr*, PCi/3919 (Privy Council July 19, 1810). And the revocation clause was carried through into the British Patents Acts of 1852 and 1902. WILLIAM MARTEN, THE ENGLISH PATENT SYSTEM (1904) ("By this Act the Privy Council is empowered to revoke a patent in the event of an existing industry or the establishment of a new industry being unfairly prejudiced.").

While some briefs point out that patent challengers made more use of *scire facias* than the Privy Council by the end of the 18th century, that is not the question. The constitutional claim in this case is that the government can *never* revoke a patent without the participation of a court. Evidence that courts were *usually but not always* involved in revoking patents doesn't demonstrate that claim. Indeed, it demonstrates the opposite.

Early American practice confirms the role of non-Article III tribunals in patent validity determinations. Because the United States had no king, Congress (or state legislatures) took it upon themselves to revoke patents. *See, e.g.*, H.R. Journal, 3rd Cong., 1st Sess., 206 (1794) (reporting petition by Jonathan Jenkins requesting repeal of patent granted to Benjamin Folger for using whale oil to produce candles); *Livingston v. Van Ingen*, 9 Johns 507, 508–09 (N.Y. 1812) (litigating the consequences of New York's revocation of the 1787 patent to John Fitch for the steamboat and a subsequent grant to Robert Livingston, with both parties assuming the legislature could revoke the patent it granted); Bracha, *supra*, at 110-11 (noting that state legislatures universally assumed this power).

Thus, even if this Court were to adopt a novel historical test for Article III that focused on the *forum* in which actions were brought in 1789, patent cancellation was not exclusively a function of the courts at that time.

Since the middle of the 20th century, Congress again has exercised significant control over patent cancellation by permitting administrative cancellation, first in interferences starting in 1952, then in reexamination beginning in 1981, and now in *inter partes* review. Congress acted within its legitimate legislative power in doing so, even if its choices differed from those of early Congresses. The Court long ago recognized in the context of interferences, which could involve issued patents, that statutory entitlement to patent rights was a "matter[] involving public rights, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, *but which Congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.*" *Duell*, 172 U.S. at 582-583 (quoting *Murray's Lessee*, 59 U.S. at 284 (emphasis added)); *see also* Christopher Beauchamp, *Repealing Patents* 32-33 (working paper, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3044003) (suggesting that the history of patent revocation under the 1790 and 1793 acts suggests that Congress may have considered patents to be public rights). The grounds for *inter partes* review and its impact may be greater but the basic conclusion remains: as federal statutory rights that do not replace any common law rights, Congress has broad power to provide for administrative adjudication of the validity of issued patents.

II. Congress Adopted an Administrative Error Correction Scheme That Promotes Article I Objectives Without Threatening Article III Principles

A. Congress Has Repeatedly Determined That Administrative Correction of Erroneously Granted Patents Is Necessary to Promote the "Progress of the Useful Arts"

In assessing the Constitutionality of tribunals outside Article III, this Court has looked to whether the tribunal "ensure[s] the effectiveness" of a system Congress established pursuant to its Article I powers. *CFTC v. Schor*, 478 U.S. 833, 856 (1986). In this case, Congress has, since 1980, done precisely what the Court has required. It has set up administrative proceedings specifically to ensure that patents are kept "within their legitimate scope," *Cuozzo*, 136 S. Ct. at 2144 (quotations omitted), so that the patent system can properly serve its Constitutional purpose of promoting the "Progress of the Useful Arts." These proceedings involve "a specific and limited regulatory scheme" as to which the agency has "obvious expertise." *Stern v. Marshall*, 564 U.S. 462, 491 (2011) (internal citations omitted).

As Congress has appreciated, the U.S. Patent and Trademark Office operates under tremendous workload pressure. In 2016, for example, the office received over 650,000 patent applications and allowed over 360,000 patents. USPTO Report FY 2016, at 178. Such high-throughput processing will inevitably produce error. Erroneous determinations of novelty and non-obviousness – the precise areas covered by *inter partes* review – are

particularly likely. The applicant has no duty to search the scientific and technical literature; instead, the examiner bears the time-intensive burden of finding literature to show a given application claims invention that is not novel or is obvious. Moreover, while applicants have obvious incentives to appeal an examiner's erroneous decision to deny a patent, the initial examination process affords little opportunity for third-party input and no mechanism for thwarting an erroneous grant. Additionally, the sheer volume of annual applications and grants, and substantial uncertainty regarding which patents will ultimately be asserted against competitors, limit the ability of third party competitors to monitor the Patent Office's initial examination processes.

The monitoring problem is more tractable for that subset of patents that are ultimately asserted against competitors. However, many improperly granted patents will not be invalidated through expensive and protracted district court litigation. The 2017 economic survey of the American Intellectual Property Law Association indicates that even for the lowest-stakes category of patent lawsuits (in which less than $1 million is at risk), median litigation costs are $500,000. And for the highest-stakes lawsuits (in which more than $25 million is at risk), median litigation costs rise to over $3 million. Given these costs, defendants charged with infringement of an erroneously granted patent may simply settle the case, thereby failing to engage in the "authoritative testing of patent validity" that this Court has seen as essential. *See Blonder-Tongue*, 402 U.S. at 344.[5]

5. Indeed, settlement may be particularly likely in cases where an improperly granted patent can be asserted against

As discussed in Part I, Congress has for many decades provided for administrative cancellation of patent claims post-issuance. In doing so, Congress both intended to settle validity disputes "more quickly and less expensively than the often protracted litigation involved in such cases" and to "reinforce investor confidence in the certainty of patent rights by affording the USPTO a broader opportunity to review doubtful patents." *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602 (Fed. Cir. 1985) (quotations omitted).

Ex parte reexamination, which began for patents granted in 1981 (and continues in force today), has the drawback of excluding third-party participation beyond the initial request. In 1999, Congress therefore created a new procedure to expand third-party participation, *inter partes* reexamination. As with *ex parte* examination, Congress intended *inter partes* reexamination to target "bad" patents. *See Microsoft*, 564 U.S. at 113 ("Congress has amended the patent laws to account for concerns about 'bad' patents, including by expanding the reexamination process to provide for *inter partes* proceedings.").

Unfortunately, the initial structure of *inter partes* reexamination was an unwieldy, two-step process with no time limits. The initial reexamination itself took an

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many defendants and thereby imposes very significant social costs. In those cases, the firm that expends resources to successfully invalidate the patent cannot capture that value, as it invalidates the patent not only for itself but for all of its competitors. *See, e.g.*, Joseph Farrell & Robert P. Merges, *Incentives to Challenge and Defend Patents: Why Litigation Won't Reliably Fix Patent Office Errors and Why Administrative Patent Review Might Help*, 19 BERKELEY TECH. L.J. 943 (2004).

average of 39.5 months, and the result then had to be appealed to the Board of Patent Appeals and Interferences ("BPAI"). *See* Saurabh Vishnubhakat, Arti Rai, and Jay Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 58 (2016). As a consequence, *inter partes* reexamination was never widely used. *Id.*

Inter partes review keeps the substantive rules of *inter partes* reexamination but eliminates the two-step process of the earlier statute. It renames and expands the BPAI into a body, the PTAB, that directly hears *inter partes* petitions by third-party challengers and must make a final written decision on granted petitions within one year. *Cuozzo*, 136 S. Ct. at 2137; 35 U.S.C. § 316(a)(11). Like BPAI judges before them, PTAB administrative judges are statutorily required to possess not only "competent legal knowledge" but also "scientific ability." 35 U.S.C. § 6(a). Because administrative judges now operate at the first step of review, *inter partes* review has some trial-type adjudicatory procedures that its predecessor lacked. *Cuozzo*, 136 S. Ct. at 2143. As this Court unanimously recognized in *Cuozzo*, however, *inter partes* review retains many features of a "specialized agency proceeding." *Id.* at 2144. As noted, all PTAB judges are scientifically trained. Additionally, third party petitioners need not have constitutional standing; the Patent Office may continue to conduct *inter partes* review even after the adverse party has settled; and the Patent Office may intervene in a later judicial proceeding to defend its decision even after the private challenger has dropped out. *Id.* And as with reexamination, the Congressional scheme for *inter partes* review specifically provides for amendment of patent claims. 35 U.S.C. § 316(d). Amending claims is a

uniquely administrative task in which Article III courts cannot engage.

Not surprisingly, then, *inter partes* review only overlaps to some extent with Article III adjudication. In the period between September 16, 2012 and June 30, 2015, for example, 30% of *inter partes* review petitions challenging patents were brought by entities that had *not* previously been sued on that patent in district court. Vishnubhakat, Rai, and Kesan, *supra*, at 64.

B. Error Correction Remains Under the Control of Article III Courts

In assessing the compatibility of administrative schemes with Article III values, this Court has looked to the degree of Article III control for which the scheme provides. *See, e.g.*, Schor, 478 U.S. at 853. In this case, Article III judges at both the appellate and district court level retain significant power.

As with prior review mechanisms, the Congressional scheme for *inter partes* review provides that all final decisions of the PTAB are subject to appellate review by an Article III court. 35 U.S.C. § 319. Notably, the Federal Circuit reviews *de novo* all legal determinations made by judges in PTAB proceedings. *See Merck & Cie v. Gnosis SpA*, 808 F. 3d 829, 833 (Fed. Cir. 2015).

Although petitioner and its amici suggest that PTAB administrative judges are insufficiently insulated from the agency's political influence, it bears emphasis that PTAB administrative judges, and the Patent Office more generally, exercise *substantially less* power through

inter partes review than judges, and agencies, in many other parts of the administrative state. While many other administrative judges and agencies make case-by-case legal determinations that this Court has held are entitled to *Chevron* deference, *see United States v. Mead Corp.*, 533 U.S. 218, 230 n.12 (2001) (giving examples in which this Court gave *Chevron* deference to determinations made by agencies in individual adjudications), the legal determinations the Patent Office makes in *inter partes* review proceedings have not received *Chevron* deference. In fact, Article III review in appeals from *inter partes* review proceedings is more intensive than Article III review of other Patent Office actions. In the context of patent grants, for example, Article III judges must show enormous deference to the Patent Office – courts can overturn a patent grant only if they find clear and convincing evidence of invalidity. *See generally Microsoft v. i4i*, 564 U.S. 91 (2011).

PTAB review also intrudes only minimally on the powers of district courts. Although district courts may choose to stay proceedings in cases where an *inter partes* petition is filed on a patent asserted in the proceeding, district court discretion on whether or not to stay is broad under *inter partes* review. As with predecessor reexamination procedures, the *inter partes* review statute contains *no* language constraining district court discretion on whether to grant stays. The test for deciding whether to stay varies by jurisdiction, including such factors as the state of discovery; the timing of trial; potential simplification of issues; and prejudice to the patentee. *See, e.g, Drink Tanks Corp. v. Growlerworks, Inc.*, No. 3:16-cv-410-SI, 2016 WL 3844209, at *2 (D. Or. July 15, 2016). This variation, and empirical data showing significant

variations in rates of stay, *see* Paul R. Gugliuzza, *(In) Valid Patents*, 92 NOTRE DAME L. REV. 271, 286-287 (2016), confirm the power retained by Article III courts.

Additionally, once a patent owner has filed a district court patent infringement action, the defendant in the action typically has only one year in which to bring a petition for *inter partes* review. 35 U.S.C. § 315(b). And unlike district court judges, PTAB judges can entertain only a small subset of validity challenges – those based on written prior art. 35 U.S.C. § 311(b). Thus, contrary to the petitioner's contention, Article III courts retain power over much more than a "right to appeal." Brief for Petitioner at 42.

As this Court has noted, retention of control by Article III courts protects not only separation of powers but also individual liberty interests. *See Stern*, 564 U.S. at 483. More generally, no provision of the *inter partes* review scheme prevents patent owners from filing patent infringement suits in Article III courts. The only entities that are denied access to Article III courts are challengers that first file an *inter partes* review petition and then decide to seek a declaratory judgment of invalidity in an Article III court. In that case, the civil action is automatically stayed. 35 U.S.C. § 315(a)(2).

C. Petitioner's Facial Challenge to Constitutionality Would Moot Efforts to Improve Administrative Error Correction

The fact that certain Patent Office practices implementing administrative review may raise concerns, *see, e.g.*, Brief of Petitioner at 45-46, is not the issue in this

case. Indeed, petitioner's sweeping facial challenge would entirely moot ongoing and future efforts by the Patent Office, the Federal Circuit, and Congress to improve post-grant administrative review.

Petitioner and its supporting amici variously challenge expansion of PTAB panels to achieve decisional uniformity; the alleged reluctance of the PTAB to allow amendments to patent claims; and certain Federal Circuit decisions that have held that administrative cancellation of a patent can occur after an Article III court has determined that the patent is not invalid. These issues are all orthogonal to the question of whether the scheme of *inter partes* review enacted by Congress violates Article III. Instead, they are rightly the focus of ongoing efforts at improvement within the Patent Office, in Congress, *see, e.g.*, STRONGER Patents Act, and at the Federal Circuit. Petitioner's goal of denying Congress *any* ability to implement administrative error correction would eviscerate ongoing and future efforts to improve correction procedures.

III. The Absence of a Seventh Amendment Right to Have a Jury Resolve Validity Confirms the Constitutionality of PTAB Adjudication of Some Patent Validity Determinations.

The Seventh Amendment does not compel a different conclusion.

A. The Seventh Amendment Does Not Preclude Agency Proceedings

The right to a jury trial varies depending on the forum Congress chooses for adjudication. If Congress provides

for adjudication of a statutory right in the federal district courts, the nature of the right will determine whether a jury is required. "[A] jury trial must be available if the action involves rights and remedies of the sort typically enforced in an action at law." *Curtis v. Loether*, 415 U.S. 189, 195 (1974). But if Congress can provide for administrative adjudication of a statutory right like patent rights consistent with the Constitution (the Article III question addressed above), it can do so "free from the strictures of the Seventh Amendment." *Id.* at 194-95; *see also Granfinanciera*, 492 U.S. at 42 n.4; *Atlas Roofing Co. v. OSHRC*, 430 U.S. 442, 455 (1977). For that reason, even if the Seventh Amendment requires a jury trial when patent validity is raised in district court infringement litigation, that does not mean that the Seventh Amendment requires a jury trial when patent validity is raised in administrative proceedings like Patent Office post-issuance review.

Indeed, the Administrative Procedure Act, 5 U.S.C. §§ 551–559 (2006), presupposes that a judge, not a jury, is reviewing the agency decision. Outside of the criminal context, juries are not usually required to pass on agency decisions. It is judges, not juries, who traditionally review the decisions of administrative agencies.

Shortly after the passage of the APA, the Supreme Court held that even in a criminal proceeding there is no right to a jury trial to review an administrative agency decision. *Cox v. United States*, 332 U.S. 442, 453 (1947). In *Cox*, the defendants were convicted of leaving a wartime civilian labor camp, to which they had been sent after objecting to military service during World War II. The Selective Service Board had classed them as conscientious objectors; the defendants argued that they should have

been classed instead as ministers of religion exempt from civilian service. The statute in question made the Board's decision final on the classification issue. But the defendants argued that they had the right to present the misclassification argument to the jury. The Court rejected that argument in sweeping terms:

> The concept of a jury passing independently on an issue previously determined by an administrative body or reviewing the action of an administrative body is contrary to settled federal administrative practice; the constitutional right to jury trial does not include the right to have a jury pass on the validity of an administrative order.

Id. at 453.

In sum, there is no need for this Court to reach the Seventh Amendment historical issue at all if it concludes, as it should, that Congress can vest the very government that creates a patent with the power to review that patent.

B. Historical Practice Confirms That a Jury Is Not Required to Adjudicate Validity

Even were this Court to apply a historical test for the Seventh Amendment rather than focus on the nature of the underlying right, English and American history confirm that there is no right to have a jury determine patent validity that precludes the government from revoking a patent on its own authority.

1. In *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), the issue was whether the construction of patent claims, which determines the scope of the patent, was an issue for the judge or the jury. The Court began by observing that "there is no dispute that ***infringement*** cases today must be tried to a jury, as their predecessors were more than two centuries ago." *Id.* at 377 (emphasis added). But that did not resolve the question before the Court. Rather, it led to a second question:

> [W]hether a particular ***issue*** occurring within a jury trial (here the construction of a patent claim) is itself necessarily a jury issue, the guarantee being essential to preserve the right to a jury's resolution of the ultimate dispute. . . .
>
> . . . [T]he answer to the second question "must depend on whether the jury must shoulder this responsibility *as necessary to preserve the 'substance of the common-law right of trial by jury.* ""'Only those incidents which are regarded as fundamental, as inherent in and of the essence of the system of trial by jury, are placed beyond the reach of the legislature.""

Id. at 377–78 (quoting *Tull v. United States*, 481 U.S. 412, 426 (1987)).

So even if infringement and damages are tried to a jury, it doesn't follow under *Markman* that all issues must be tried to the jury. Rather, the question is whether those particular issues were tried to a jury at old English common law, and, even if so, whether the jury's resolution of those issues is so central to the common law right that it must be preserved.

2. As discussed in Part I, while juries considered patent infringement suits, historically only the Privy Council could revoke a patent. In 1753, the Council granted the courts concurrent jurisdiction with the government itself to revoke a patent. Under this post-1753 procedure, a party that wanted to revoke a patent proceeded by a writ of "*scire facias.*" The Chancery court could issue a writ of *scire facias*, requiring the owner of the patent to appear in court and defend the patent, lest the court issue an order to the Crown revoking the patent for inconveniency. *Scire facias* was the only judicial means of revoking a patent. Hindmarch, A Treatise on the Law Relative to Patent Privileges for the Sole Use of Inventions: And the Practice of Obtaining Letters Patent for Inventions 3 (Harrisburg, Pa., I.G. M'Kinley & J.M.G. Lescure 1847) ("The only means which the law provides for the repealing of letters patent, is by action of *scire facias* at the suit of the Queen."); *Attorney Gen. ex rel. Hecker v. Rumford Chem. Works*, 32 F. 608, 619 (C.C.R.I. 1876) ("No instance can be found, it is believed, of any other proceeding in England than a *scire facias* to repeal letters patent for an invention.").

Because the Crown granted the patent in the first instance, it was thought to have an interest in the proceeding, and so the Attorney General was a party and had to approve the proceeding. William Hands, The Law and Practice of Patents for Inventions 16 (London, W. Clarke & Sons 1808) ("[A] writ of *scire facias* . . . issues out of the Court of Chancery, at the instance of any private person, but in the name of the King, leave to issue it must therefore be previously obtained from the Attorney General.").

It was the Chancellor, not the jury, who held the final power to revoke a patent using *scire facias*. While chancery courts could and did refer validity questions to juries at common law, they did so only when there was a disputed issue of fact that was necessary to the resolution of the validity issue. They decided legal issues for themselves.[6] And the question of invalidity was not itself a question of fact. *See Hill v. Thompson*, (1817) 36 Eng. Rep. 239 (Ch.) 242; 3 Mer. 622, 630; Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1690 (2013) (discussing cases).

A brief filed in this Court by two legal historians argues that previously undiscovered unpublished decisions during this period show that *scire facias* actions were more common during the late eighteenth century than previously thought and also show a common practice of referring fact questions in those cases to juries. They argue at various points based on this evidence that this Court, the Federal Circuit, current scholars, and even contemporary luminaries such as Lord Coke have all misunderstood the role of *scire facias*. But even accepting these unpublished cases and everything these two scholars claim for them can offer no comfort to Petitioners here. At most they establish that when a writ of *scire facias* was brought in Chancery court and the resolution of the

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6. 2 William Tidd, *The Practice of the Court of King's Bench* 799 (2d ed. London 1799) ("it has become the practice for the jury, when they have any doubt as to the matter of law, to find a *special* verdict, stating the facts, and referring the law arising thereon to the decision of the court; by concluding conditionally, that if upon the whole matter alledged [sic], the court shall be of opinion, that the plaintiff had cause of action, then they find for the plaintiff; if otherwise, then for the defendant.") (emphasis in original).

writ turned on a disputed issue of fact it was common (though not universal) practice to refer that fact issue to a jury.[7] But it is undisputed that the government itself had and exercised the power to cancel a patent in the Privy Council, and that the *scire facias* action was one that had to be brought in the name of the government and with the permission of the Attorney General.

The Seventh Amendment question is not whether juries were used in patent cases at the founding but whether there was a right to a jury trial on validity at English common law that was so central that it could not be decided without a jury. The power of the Privy Council to cancel patents on its own, the fact that any court challenge required the permission of the Attorney General, and the limitation of the jury to deciding specific fact questions in the case before them rather than holding a patent invalid all demonstrate that the jury was at the very least not the only way to invalidate a patent in England. To conclude not only that the government did not have to be involved in canceling a patent but that the government had no power to do so would turn English history on its head.

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7. The jury was not asked to annul the patent itself. Indeed, the general practice in England at the time was to ask a jury to rule only on specific factual questions. Thus, In *Arkwright v. Nightingale*, Lord Loughborough's charge to the jury was "simply whether you believe five witnesses who have sworn to a positive fact." Helen Gubby, Developing a Legal Paradigm for Patents 197 (2012). The jury would often answer those questions during the trial itself rather than waiting to render a verdict after all the evidence was in. *Id.* at 29-30. One scholar suggests this sort of specific question was common English practice at the time. James Oldham, English Common Law in the Age of Mansfield 68 (2004).

3. The Patent Acts of 1790 and 1793 also provided for a petition to cancel a patent within the first years after the patent was issued. ; Lemley, *supra*, at 1693, 1696. Those actions were brought by private complainants. *Ex Parte Wood & Brundage*, 22 U.S. (9 Wheat.) 603, 614 (1824). But those private actions coexisted with the ability of the government to revoke a patent. *Morris v. Huntington*, 17 F. Cas. 818, 821 (C.C.D.N.Y. 1824) (No. 9,831) ("I see no insuperable objection to entering a vacatur of the patent of record in the department of state, if taken out inadvertently and by mistake"). One scholar rejects the conclusion that those cancelation petitions enacted a *scire facias* action, instead viewing them as new procedures created by Congress. Beauchamp, *supra*.

As in England, juries could and did consider factual questions in validity disputes when they were presented as defenses to an infringement suit filed at law. But those proceedings did not revoke or "invalidate" patents as we understand the concept today. The successful assertion of such a defense benefitted only the defendant, and did not revoke the patent. Indeed, a number of early U.S. cases involved juries reaching contradictory decisions on patent validity. See, e.g., *Blake v. Smith*, 3 F. Cas. 604, 605–07 (C.C.S.D.N.Y. 1845) (No. 1,502) (noting that a jury in New York had overturned a patent that a jury in Connecticut had upheld, *Blake v. Sperry*, 3 F. Cas. 607 (C.C.D. Conn. 1843) (No. 1,503), and ordering a new trial in New York in hopes of reaching consistent conclusions). And juries also sometimes considered fact questions (though not legal issues) in the rare revocation proceedings under the 1793 Act, Lemley, *supra*, at 1696-97, though the actual practice generally involved a judge, not a jury, deciding whether to revoke a patent. *McGaw v. Bryan*, 16 F. Cas.

96, 97 (S.D.N.Y. 1821); Beauchamp, *supra*, at 20-22, 28-30 (discussing the 1792 case of *Jenkins v. Folger*).

The 1836 Patent Act narrowed the grounds for a private party to bring an action to cancel a patent, essentially limiting it to disputes between two parties over which was the first inventor. Patent Act of 1836, ch. 357 § 16, 5 Stat. 117, 123–24. With that limitation, the common assumption in the early 19th century was that ***only*** the government could bring a proceeding to cancel or annul a patent. Lemley, *supra*, at 1699. And indeed the government did so in a number of cases in the nineteenth century. See, e.g., *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434, 440 (1871); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 369 (1888). *See also id.* at 365-68 (canvassing six prior cases in which the United States brought suit to cancel a patent).[8]

As one scholar summarizes the history:

> Before 1870, in short, juries did resolve validity questions when they were raised as a personal defense in an infringement suit at law, just as they did in England at common law. But when courts considered whether to invalidate a patent altogether during that period, they did so at equity. After 1870, the use of juries in patent cases essentially disappeared, and judges took over not only the role of invalidating

8. This Court did say in *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 US. 606, 609 (1898), that only courts were vested with power to invalidate a patent. But that statement was an interpretation of the then-applicable statute, Rev. Stat. §4916, and did not purport to state a constitutional command.

> patents in revocation proceedings but also the job of deciding personal defenses in patent infringement suits. By 1940, the jury was a forgotten memory in patent litigation; no one living could recall a time when it was otherwise.

Lemley, *supra*, at 1704.

4. Throughout U.S. and English history, a jury in an infringement action had no power to finally revoke a patent. While accused infringers could assert a defense of invalidity, and juries could decide the facts that underlay that defense, that defense was personal to them; the patent was not invalid unless it was nullified in a repeal proceeding or revoked by the government. Patentees could and did enforce "invalid" patents against others.

That ended in 1971. In *Blonder-Tongue,* 402 U.S. at 350, this Court held that the doctrine of collateral estoppel extended to bar a patentee from asserting a patent held invalid in one proceeding against any other defendant in a subsequent case. This doctrine of "defensive non-mutual" collateral estoppel represented a fundamental shift in patent litigation. After *Blonder-Tongue*, a patentee puts its legal right at risk every time it files a patent suit. Lose on infringement and the patentee remains free to sue someone else whose device works in a different way. But lose on validity in one case and its rights of enforcement end as to everyone else.

The result of *Blonder-Tongue* is that an invalidity defense in litigation now looks more like the traditional English revocation of a patent by the government (either through the Privy Council or by consenting to a *scire*

facias writ) than like a personal defense to infringement. Indeed, this Court has recognized that infringement and invalidity are now different proceedings with different scopes because, after *Blonder-Tongue*, a ruling of invalidity has a greater effect than simply defeating the infringement case before the court. *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 98 (1993).

If the ultimate question of validity had always been tried to juries in the United States, this Court might be reluctant to upset that practice even if the evidence suggested that it wasn't required in England before 1791. But in fact there is no such long tradition of juries deciding validity in the United States. In the early days of the Republic, juries sometimes decided specific fact issues bearing on validity, though equity courts did so as well. But juries did not invalidate patents in the modern sense of *Blonder-Tongue*; nullity proceedings were brought only in equity. Further, for most of the last 150 years, including the time in which the modern requirements of validity were developed and applied, judges, not juries, decided those validity questions. Indeed, not until the last generation have juries begun deciding validity in a majority of cases or in circumstances that ended up nullifying the patent. Lemley, supra at 1705-06. If the Seventh Amendment is concerned with preserving the fundamental essence of a right to jury trial as it existed in history, it makes little sense to find such a right to exist in a practice that was uncommon before 1978 and not truly prevalent until the late 1980s.

CONCLUSION

Inter partes review and other post-issuance proceedings before the PTAB serve an important function in insuring that the only exclusive rights in inventions that exist are those that comply with the statutory conditions Congress set forth to balance the needs of innovation and free competition. To the extent that specific procedures used in *inter partes* review require further refinement, that task is for Congress, the Patent Office pursuant to its delegated power, and perhaps the courts in resolving appropriate statutory or due process challenges. Neither Article III nor the Seventh Amendment warrants abolishing the statutory scheme established by Congress pursuant to its broad powers to determine the best means for promoting the progress of the useful arts.

Respectfully submitted,

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